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E.O. 12958: DECL: 3/18/2034

TAGS: PGOV ECON ELAB PHUM EFIN CH

SUBJECT: NEW SHANGHAI PERMANENT RESIDENCY POLICY GETS TEPID RESPONSE

REF: A. (A) SHANGHAI 39
 1B. (B) BEIJING 682 AND PREVIOUS
 1C. (C) SHANGHAI 19
 1D. (D) SHANGHAI 120

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SHANGHAI, U.S. DEPARTMENT OF STATE.

REASON: 1.4 (b), (d)

Summary

11. (C) The Shanghai Municipal Government has received an unenthusiastic response to its new permanent residency policy, which aims to make it easier for soon-to-be college graduates and other workers with specified "talents" to find jobs in the city. Despite much positive media coverage when the policy was announced in late February, observers now say the policy holds limited short-term benefits for skilled workers and offers no benefits to low-skilled migrant workers. The policy appears to focus on facilitating the return to Shanghai of overseas financial sector experts. Illustrating popular discontent with the limitations of the policy, a March 16 article on Sina.com included criticism from two well-known scholars, as well as Chinese netizens. End Summary.

Shanghai's New Hukou Policy

12. (U) The Shanghai Municipal Government announced a new permanent residency (hukou) policy in late February, reportedly ending the quota system for hukou management and revealing a new set of "requirements" for converting a temporary resident's permit into a permanent residency card. Mayor Han Zheng outlined details of the policy amid much fanfare during an on-line webchat on February 21, stating that the six million non-permanent residents of Shanghai "have made an important contribution to Shanghai's economic development" and those with "a certain level of professional knowledge" would be allowed to apply for permanent residency after seven years in the city. As characterized by a February 24 article in the government-owned China Daily newspaper, "(Shanghai), with one of the strictest population controls in the country, is opening its gates wider to talent by approving hukou, or permanent residency, to experienced professionals from other provinces."

13. (C) Details are not yet available, and the Shanghai Municipal Bureau of Labor and Social Security declined a meeting with PolOff to discuss the new permanent residency policy because implementing regulations have not yet been finalized. According

to Cai Xuekang, Deputy Director of the Pudong New District All-China Federation of Trade Unions (ACFTU), the main changes under the reform would be: (1) to allow people who meet certain criteria to apply directly to the municipal government for a hukou rather than apply through their work unit, and (2) to lower the qualifications for certain skilled jobs to require only a bachelor's degree in the field. The new criteria for qualifying for a hukou has not been announced, but Cai warned that authorities will struggle with a backlog of applications in the near-term because many long-term residents immediately filed applications for permanent residency in the first month after the policy was announced.

Finding Jobs for Graduates

¶4. (C) Ren Yuan, a professor in the Population Studies Institute at Fudan University's School of Social Development and Public Policy, told PolOffs on March 16 that the new hukou policy is directly linked to mounting concerns about the job market for this year's university graduates (Refs A and B). Many graduates from outside Shanghai would have been able to remain in the city to work under the previous rules, but the new policy would facilitate the employment of students with "special talents" with the promise of permanent residency in the future, he said. Acknowledging that few students would be in a position to take advantage of the new policy, Ren added that it is important to view the policy as one step in a longer reform process.

But What About Migrants?

¶5. (C) Wang Xiaoyu, a professor at Tongji University, argued that the impact of the new policy would be extremely limited. He noted during a March 10 meeting with PolOff that while there had been much positive press coverage in the Shanghai media, other outside media outlets (including in Beijing) have criticized Shanghai's hukou reform for not being far-reaching enough. The new policy will not benefit migrant workers at all, he said, and the number of professionals who will benefit is a thin slice of those looking for a job. Without a focus on migrant concerns, Wang stated, the policy would have virtually no impact on Shanghai's social stability situation (Ref C). Pudong ACFTU Deputy Director Cai agreed with Wang, stating that of the approximately 1.5 million workers in Pudong, 700,000 (45 percent) are migrant workers, and most will not qualify for a hukou under the provisions of the reform.

Providing Social Services to Newcomers

¶6. (C) Ren Yuan at Fudan pointed out that in Shanghai, just as in other Chinese cities, much of the debate on permanent residency is centered on the municipality's ability to bear the costs of social services. The hukou policy "is not just a numbers game," Ren said, as it also takes into account limited budgets for education, health care, and social welfare. According to Ren, Shanghai's hukou system has been the subject of many internal municipal government discussions since 2006, shortly after demographers realized the city's population already had exceeded the 10th Five-Year Plan (2000-2005) target of 16 million residents and estimated the total would reach 19 million by 2010. Some government officials argue the municipality already is too stretched to provide adequate social services to such a large population, while others believe Shanghai could accommodate 24-25 million residents, Ren said.

Looking for a Few Talented People

¶7. (C) In the meantime, therefore, the aim of the new hukou policy is to attract talented people to work in Shanghai's financial sector and maintain economic growth, our interlocutors said. While the residency policy may have been recently announced, the idea is not a new one. At the Wall Street Journal China Financial Markets Conference on November 17, 2008, Fang Xinghai, Director General of the Shanghai Financial Services Office, said his office was preparing to "visit

overseas financial capitals to recruit Chinese nationals and overseas nationals" to work in Shanghai's financial sector (see also Ref D). Likewise, Cai characterized the new policy as "part of a broader plan to attract talent to the city."

The New Hukou -- "A Mere Scrap of Paper"

18. (U) A March 16 article on Sina.com illustrated some of the popular discontent with the limitations of the new permanent residency policy. Professor Wang Dabeng of East China Normal University's Population Research Institute, and Professor Liang Hong, Vice Dean of Fudan's School of Social Development and Public Policy, both said that without corresponding social welfare reform, the new hukou policy is a "mere scrap of paper."

Many Chinese netizens participating in on-line discussion groups were equally dismissive of the policy. A representative viewpoint expressed in one netizen's comment called for abolishing the hukou system rather than reforming it.

Shanghai's hukou system has "caused unnecessary social conflicts and deterred social, economic, educational, technological, and cultural development," the netizen wrote.

Comment: Trying to be Responsive to Concerns

19. (C) Shanghai's new hukou policy is apparently an effort by the municipal government to reassure residents in Shanghai, as well as talented prospective migrants from other parts of China and overseas, that the city is serious about eliminating obstacles to university graduate employment as per the concerns voiced in Ref A. The new policy may be insufficient to effect real change, but the move indicates that the Shanghai Municipal Government may have policy room to maneuver to prevent social instability. It is also possible that easing the path to permanent residency will facilitate the relocation to Shanghai of financial sector experts who currently are plying their trade overseas.

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